

HOUSE BILL REPORT

HB 2113

As Passed Legislature

Title: An act relating to refunds of federal financial aid to students who withdraw from institutions of higher education before the end of a quarter or semester.

Brief Description: Regarding refunds of federal financial aid to students who withdraw from institutions of higher education.

Sponsors: By Representatives Morrell, Cox, Kenney, Fromhold, Jarrett, Chase, Priest, McCoy and Buck.

Brief History:

Committee Activity:

Higher Education: 3/4/03, 3/5/03 [DP].

Floor Activity:

Passed House: 3/13/03, 96-0.

Passed Senate: 4/17/03, 49-0.

Passed Legislature.

Brief Summary of Bill

- Permits four-year institutions of higher education to adopt tuition refund policies using the same formula the federal government uses for return of financial aid if withdrawing students would pay more back in financial aid than they receive in a tuition refund.

HOUSE COMMITTEE ON HIGHER EDUCATION

Majority Report: Do pass. Signed by 15 members: Representatives Kenney, Chair; Fromhold, Vice Chair; Cox, Ranking Minority Member; Priest, Assistant Ranking Minority Member; Berkey, Boldt, Buck, Chase, Clements, Condotta, Gombosky, Jarrett, Lantz, McCoy and Morrell.

Staff: Barbara McLain (786-7383).

Background:

Students who withdraw from courses or withdraw entirely from a college or university

before the end of a semester or quarter may be eligible to receive a full or partial refund of their tuition, depending on when they withdraw. They also may be obligated to return some portion of any state or federal financial aid they received.

Tuition Refund. State statute sets out slightly different parameters for four-year institutions and community and technical colleges regarding tuition refunds. Four-year institutions are permitted (but not required) to refund tuition to students who withdraw using the following schedule:

| <u>Student Withdraws:</u> | <u>Percent Refunded:</u> |
|-------------------------------|----------------------------------------------------------------------|
| Instructional day 1 through 5 | 100 percent |
| Calendar day 6 through 30 | Up to 50 percent |
| After day 30 | No refund in statute (In practice, institutions refund 0 percent) |

Two of the institutions have adopted slightly different refund policies. The policy at Eastern Washington University resembles that of the community and technical colleges (see below). Washington State University, in part because of its semester system, provides refunds on a scale depending on the week the student withdraws.

Community and technical colleges are required to follow the following refund schedule:

| <u>Student Withdraws:</u> | <u>Percent Refunded:</u> |
|-------------------------------|------------------------------------------------------------------|
| Instructional day 1 through 5 | Up to 100 percent, but no less than 80 percent |
| Calendar day 6 through 20 | Up to 50 percent, but no less than 40 percent |
| After day 20 | No refund in statute (In practice, colleges refund 0 percent) |

Both two and four-year institutions may adopt a different refund schedule if required by federal law to maintain eligibility for federal financial aid funds.

Federal Financial Aid Return. Since 2000 the schedule for return of federal financial aid from students who withdraw from college has been a scale based on the number of lapsed days in the semester or quarter at the time of withdrawal. If the student withdraws after 60 percent of the term has lapsed (approximately day 48 in a quarter system and day 65 in a semester system), no return is required.

The use of different calculation methods for tuition refunds and financial aid returns can lead to situations where students owe the federal government more in returned financial aid than they receive in refunded tuition (or vice versa).

State Financial Aid Return. The Higher Education Coordinating Board requires institutions to have a policy regarding return of state financial aid, but generally leaves it up to each institution to set the policy. For ease of administration, it is likely that institutions follow the federal return schedule.

Summary of Bill:

Four-year institutions of higher education may adopt tuition refund policies using the same formula the federal government uses for return of financial aid if withdrawing students would pay more back in financial aid than they receive in a tuition refund. The tuition refund policy may treat all students at the institution in the same manner.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill takes effect 90 days after adjournment of session in which bill is passed.

Testimony For: There is a need to recognize that "life happens" for some students and there are legitimate reasons for them to withdraw from school in the middle of a term. The bill gives institutions permission to adopt rules on refunding tuition that line up with federal policies. For Washington State University this is a technical issue that would grant the institution permission to refund tuition as it did in the past prior to a change in federal law. Each institution can choose what calculation works best for its students.

Testimony Against: None.

Testified: Representative Morrell, prime sponsor; Jane Yung Dennie, Washington State University; and James McMahan, Washington Student Lobby.